

# **EXCEPTION TO THE UNDERPAYMENT OF ESTIMATED TAX PENALTY FOR CORPORATIONS**

## **Prior Law**

An underpayment of estimated tax penalty is imposed for corporations that do not make sufficient estimated payments for Iowa corporation income tax. For tax years beginning on or after January 1, 2009, the penalty is computed on 100% of the current year tax liability. For tax years beginning prior to January 1, 2009, the penalty was computed on 90% of the current year tax liability.

There are various exceptions to this penalty. One exception to the penalty is where the corporation makes estimated payments equal to 90% of the current year tax computed by placing on an annualized basis the Iowa taxable income for the current year. When the change was made in 2009 to compute the penalty based on 100% of the current year tax, the change regarding the percentage of tax for the exception to the penalty was overlooked.

## **New Provisions**

The statute has been updated to specify that this exception to the penalty requires that corporations make estimated payments equal to 100% of the current year tax computed by placing on an annualized basis the Iowa taxable income for the current year.

## **Section Amended**

Section 15 of 2012 Iowa Acts Senate File 2328 amends section 422.89, subsection 3, paragraph a, unnumbered paragraph 1, Code Supplement 2011.

## **Effective Date**

Retroactive to January 1, 2012, for tax years beginning on or after that date.